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# Legislative Audit Division

State of Montana



## Report to the Legislature

December 1998

### Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1998

## Office of the Governor and Lieutenant Governor

We issued a qualified opinion on the office's financial schedules. The qualification pertains to the office's Special Revenue Fund activity. Our report contains five recommendations relating to:

- ▶ Recording activity in accordance with state accounting policy.
- ▶ Reimbursing the General Fund \$13,857.
- ▶ Improving compliance with state laws.

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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, will be issued by March 31, 2000. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
Phone (406) 444-3616

Legislative Audit Division  
Room 135, State Capitol  
PO Box 201705  
Helena MT 59620-1705

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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel  
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
James Gillett, Financial-Compliance Audit

December 1998

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1998. We issued a qualified opinion on the financial schedules of the office. Our report contains five recommendations regarding recording activity in accordance with generally accepted accounting principles and improving compliance with state laws. The office's response is contained at the end of the report.

We thank the Governor, Lieutenant Governor, and their staffs for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".  
Scott A. Seacat  
Legislative Auditor



## **Legislative Audit Division**

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**Financial-Compliance Audit**

**For the Two Fiscal Years Ended June 30, 1998**

## **Office of the Governor and Lieutenant Governor**

Members of the audit staff involved in this audit were Victoria Murphy, Laura L. Norris, Vickie Rauser, and Jenny Solem.



## Table of Contents

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	Elected and Administrative Officials .....	Page ii
	Report Summary .....	Page iii
<b>Introduction</b>	Introduction .....	Page 1
	Background .....	Page 1
<b>Prior Audit Recommendations</b>	Prior Audit Recommendations .....	Page 3
<b>Findings and Recommendations</b>	Compliance with Accounting Principles .....	Page 5
	Non-General Fund Money First .....	Page 5
	Montana Consensus Council .....	Page 6
	State Compliance .....	Page 7
	Flathead Basin Commission .....	Page 7
	Cash Management .....	Page 8
	Long Range Building Program Budget Amendments .....	Page 9
<b>Independent Auditor's Report &amp; Agency Financial Schedules</b>	Independent Auditor's Report .....	Page A-3
	Schedule of Changes in Fund Balances & Property Held in Trust for the Fiscal Year Ended June 30, 1998 .....	Page A-5
	Schedule of Changes in Fund Balances & Property Held in Trust for the Fiscal Year Ended June 30, 1997 .....	Page A-6
	Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 1998 .....	Page A-7
	Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 1997 .....	Page A-8
	Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 1998 .....	Page A-9
	Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 1997 .....	Page A-10
	Notes to the Financial Schedules .....	Page A-11
<b>Agency Response</b>	Office of the Governor and Lieutenant Governor .....	Page B-3

## **Elected and Administrative Officials**

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<b>Office of the Governor and Lieutenant Governor</b>	<b>Governor</b>	<b>Marc Racicot</b>
	<b>Lieutenant Governor</b>	<b>Judy Martz</b>
	<b>Chief of Staff</b>	<b>Judy Browning</b>
	<b>Centralized Services Administrator</b>	<b>Mary Jo Murray</b>

For additional information concerning the Office of the Governor and Lieutenant Governor contact:

Anastasia Burton, Press Secretary  
Governor's Office  
PO Box 200801  
Helena MT 59620-0801  
(406) 444-3111

## Report Summary

### **Governor's Office**

This report contains the results of our financial-compliance audit of the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ended June 30, 1998. The previous audit report contained three recommendations to the office. The office implemented two and partially implemented one recommendation.

This report contains five recommendations. The first two recommendations address areas where the office can improve compliance with state accounting policy. The other three issues are areas where the office can improve compliance with state law.

We issued a qualified opinion on the financial schedules contained in this report. This means the reader should use caution when relying on the presented financial information and the supporting data on the Statewide Budgeting and Accounting System. The qualified opinion resulted from unrecorded activity related to the Montana Consensus Council during fiscal year 1997-98.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

### Recommendation #1

We recommend the office:

- A. Spend non-general fund money first in accordance with state law.

Agency Response: Concur. See page B-3.

- B. Reimburse the General Fund \$13,857 from the Special Revenue Fund. .... Page 6

Agency Response: Concur. See page B-3.

### Recommendation #2

We recommend the office account for Montana Consensus Council, Inc. financial activity as required by state law. .... Page 7

Agency Response: Concur. See page B-3

## Report Summary

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### Recommendation #3

We recommend the office establish the Flathead Basin Commission account required by state law. .... Page 8

Agency Response: Do not concur. See page B-4.

### Recommendation #4

We recommend the office deposit money in accordance with state law. .... Page 9

Agency Response: Concur. See page B-4.

### Recommendation #5

We recommend the office submit Long-Range Building Program budget amendments to the Legislative Finance Committee prior to approval inaccordance with section 5-12-401, MCA. .... Page 10

Agency Response: Concur. See page B-4.

# Introduction

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## Introduction

We performed a financial-compliance audit of the Office of the Governor and Lieutenant Governor (the office) for the two fiscal years ended June 30, 1998. The objectives of the audit were to:

1. Determine if the office complied with applicable federal and state laws and regulations.
2. Recommend improvements in the internal and management controls of the office.
3. Determine if the financial schedules present fairly the office's results of operations for each of the two fiscal years ended June 30, 1998.
4. Determine the implementation status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed the cost to implement the recommendations and believe the cost is not significant to the office. Areas of concern regarding compliance with laws and regulations and state accounting policy deemed not to have a significant effect on the successful operations of the office's programs are not specifically included in this report, but have been discussed with management.

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## Background

The office was created upon acceptance of Montana into the Union in 1889 and is provided for in Article VI of the Montana Constitution. The following paragraphs discuss the functions of the various programs administered by the office.

Executive Office - provides administrative, legal, and centralized services support for the office. The executive office oversees and directs the activities of executive branch agencies. In addition, the executive office administers special programs which impact citizens and governmental concerns. These special programs include the Flathead Basin Commission and the Montana Consensus Council.

Lieutenant Governor - performs duties prescribed by law and those delegated by the Governor. The Lieutenant Governor serves as the liaison between state and local government, assists the Governor with

## **Introduction**

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appointments to various boards and commissions, and administers the Montana Rural Development Council.

**Office of Budget and Program Planning** - assists the Governor in planning, preparing, and administering the state budget; develops and evaluates alternative program plans for providing state government services; and acts as the lead executive branch agency for compliance with the federal Single Audit Act.

**Citizens' Advocate Office** - provides accessibility to state government for Montana citizens by providing information to citizens and acting as a referral service to state agencies.

**Mental Disabilities Board of Visitors** - protects the rights of the mentally ill and the developmentally disabled. The five-member board is also custodian of specific patient accounts at the Montana State Hospital.

**Mansion Maintenance** - maintains the Governor's official residence and provides security for the Governor and his family.

**Air Transportation** - provides transportation for the Governor and his staff. The Governor's aircraft is available to other state agencies for a fee. Fee revenues are used for aircraft operating and maintenance costs.

**Coordinator of Indian Affairs** - serves as the Governor's liaison with the state's Indian tribes, provides information and policy support on issues confronting Indians of Montana, and advises and makes recommendations to the legislative and executive branches on these issues.

## Prior Audit Recommendations

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### Prior Audit Recommendations

We performed the prior audit of the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1996. The report contained three recommendations. The office implemented two of the recommendations and partially implemented one.

The recommendation partially implemented relates to proper recording of revenue transactions.



## **Findings and Recommendations**

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### **Compliance with Accounting Principles**

State law requires transactions entered on the state's accounting system be recorded in accordance with Generally Accepted Accounting Principles (GAAP). The Department of Administration, Accounting Bureau, has adopted state accounting policies which comply with GAAP. Accounting for financial activity in accordance with these requirements improves the quality, consistency and comparability of the resultant financial information among state agencies. It also ensures that revenue and expenditures are properly and consistently measured within each fiscal year. The following two sections discuss areas where the office can improve its compliance with state accounting policy.

### **Non-General Fund Money First**

The office administers the Citizens' Advocate program, which operates a toll free number for citizens to call and voice concerns and problems or to request assistance. The Citizens' Advocate has a contract with the Department of Public Health and Human Services (DPHHS) for DPHHS to reimburse the office for calls it receives related to DPHHS programs. The office tracks the number of calls and bills DPHHS accordingly. DPHHS pays the bill with federal grant funds. All remaining costs are funded through the state's General Fund.

The Citizens' Advocate is appropriated in both the General Fund and Special Revenue Fund. The following chart shows the amount of revenue collected from DPHHS and the amount of expenditures charged to the Special Revenue Fund.

	Fiscal Years		
	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
Revenue Collected	\$18,380	\$19,497	\$20,700
Amount Expended	\$15,252	\$14,804	\$14,664
Amount of Revenue Unused	\$ 3,128	\$ 4,693	\$ 6,036

The General Fund supported expenditures totaling \$13,857 that were reimbursed by federal grants. Personnel stated they did not use this money because they did not have the appropriation authority.

State law requires agencies to spend non-general fund money first. State policy further allows the transfer of appropriation authority from the General Fund to the Special Revenue Fund provided the services are

## **Findings and Recommendations**

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similar to those for which General Fund was appropriated. In each of the fiscal years the office should have submitted a budget amendment to transfer authority from the General Fund to the Special Revenue Fund to spend non-general fund money first in accordance with state law. The office should reimburse the General Fund \$13,857 from the federal monies received by the Citizens' Advocate Program.

### **Recommendation #1**

We recommend the office:

- A. Spend non-general fund money first in accordance with state law.
- B. Reimburse the General Fund \$13,857 from the Special Revenue Fund.

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### **Montana Consensus Council**

During fiscal year 1996-97, the Montana Consensus Council (council) initiated the creation of the Montana Consensus Council, Inc. (MCC). The purpose of MCC is to provide additional financial resources to the council and those resources are in the form of private grants and donations with spending restrictions. The articles of incorporation and the bylaws of MCC both state the majority of the MCC board of directors will either be members of the council or be appointed by the council members. In addition, any director can be removed by a majority vote of the other directors. The council Director is also the Executive Director for MCC.

GAAP provide criteria for determining whether a particular activity/function is a component unit of the primary government. If a component unit meets certain criteria, its financial activity should be combined with the primary government for reporting purposes. In this case, the Governor appoints the council members who then appoint the MCC directors. The council, and thus the state, can impose its will on MCC. Because of this control, the two groups are essentially the same and MCC financial activity should be recorded on the accounting records with the rest of the office's financial activity. As a result of not recording this information on the accounting records, revenues and fund

## **Findings and Recommendations**

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balance are understated by approximately \$85,000. This resulted in the qualified opinion on the financial schedules (see page A-3).

Personnel stated the office is in the process of considering amendments to the MCC Articles of Incorporation to modify the provisions pertaining to appointments of board members. If amendments are made to the articles of incorporation, MCC may no longer meet the definition of a component unit, and would not need to be included in the accounting records. Unless that occurs, the office should record the MCC financial activity on its accounting records in accordance with GAAP and state law.

### **Recommendation #2**

**We recommend the office account for Montana Consensus Council, Inc. financial activity as required by state law.**

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#### **State Compliance**

We reviewed selected state laws and policies applicable to the office. The following sections discuss areas where office management could enhance compliance with state laws and policies.

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#### **Flathead Basin Commission**

The Flathead Basin Commission (FBC) was created by the legislature to monitor and protect water quality in the Flathead watershed. The FBC is a nonregulatory organization that receives funding from state, federal, and private sources. Section 75-7-306, MCA, states:

“Establishment of account. There is established in the State Special Revenue Fund a Flathead Basin Commission account. Money received by the Flathead Basin Commission under section 75-7-305, MCA, and such other funds as are designated or appropriated for its use must be deposited in the account.”

Currently, there is no FBC account in the State Special Revenue Fund. FBC activity is split between a Federal Special Revenue Fund account and two State Special Revenue Fund accounts, neither of which is exclusively FBC activity. The FBC’s primary operating expenses are

## **Findings and Recommendations**

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directly appropriated from and accounted for in the Renewable Resource Grants/Loans account which is used by several state agencies and administered by the Department of Natural Resources and Conservation.

Section 17-2-102, MCA, establishes the fund structure for the state of Montana. Specifically, “. . . (B) The Federal Special Revenue Fund consists of money deposited in the treasury from federal sources, including trust income, that is used for the operation of state government.” This section would indicate the FBC federally-funded activity is properly classified.

The specificity of section 75-7-306, MCA, should govern the FBC accounting. The requirements of section 17-2-102, MCA, concerning federal revenues can be met by recording the revenues in a Federal Special Revenue Fund account and transferring them to the FBC State Special Revenue Fund account required by section 75-7-306, MCA. There are several inactive State Special Revenue Fund accounts which are still assigned to the office. The office could request one of those be reactivated/changed to accommodate the FBC accounting requirements.

### **Recommendation #3**

**We recommend the office establish the Flathead Basin Commission account required by state law.**

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#### **Cash Management**

State law requires all money that is collected be deposited daily with the State Treasurer when coin and currency exceeds \$100 or the accumulated amount of collections exceed \$500. The law is designed to maximize interest earnings and to help prevent loss or theft of moneys the state has received.

We noted two instances during the audit period where deposits totaling \$14,772 were deposited two and six days late. We reviewed additional deposits and noted 19 of approximately 221 deposits were not deposited in accordance with state law. We determined these deposits, totaling \$3,587, were made two to 14 days late.

## **Findings and Recommendations**

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Personnel could not provide any specific reasons for the late deposits, but indicated some of the possibilities might be relatively small dollar amounts, checks not being received daily, and a relatively small staff. By not depositing the money in accordance with state law, the office increases the potential for theft. Office personnel maintain a log book of receipts which includes the date received and the amount. Office personnel should review the log book at least once a week and make the necessary deposits.

### **Recommendation #4**

**We recommend the office deposit money in accordance with state law.**

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#### **Long Range Building Program Budget Amendments**

Section 5-12-401, MCA, states, “All budget amendments for state agencies must be submitted through the budget director to the legislative finance committee as soon as received by the budget director . . .” However, the Office of Budget and Program Planning (OBPP) reviews and approves Long-Range Building Program (LRBP) budget amendments prior to submitting them to the Legislative Finance Committee.

OBPP personnel stated Title 17, chapter 7, part 2 governs LRBP budget amendments, and therefore OBPP makes a distinction between LRBP amendments and other amendments on its budget documents. Section 17-7-211(2), MCA, states, “A proposed long-range building program budget amendment must be submitted to the budget director through the architecture and engineering division of the department of administration. The budget director, through a long-range building program budget amendment, may authorize: (a) the transfer of excess funds appropriated to a capital project within an agency to increase the appropriation of another capital project within that agency; or (b) financing to expand a project with funds that were not available for consideration by the legislature.” There is nothing in this section of the MCA which creates an inconsistency with section 5-12-401, MCA.

## **Findings and Recommendations**

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OBPP should submit LRBP budget amendments to the Legislative Finance Committee as soon as they are received in accordance with state law.

### **Recommendation #5**

We recommend the office submit Long-Range Building Program budget amendments to the Legislative Finance Committee prior to approval in accordance with section 5-12-401, MCA.

**Independent Auditor's Report  
& Agency Financial Schedules**

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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel  
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
James Gillett, Financial-Compliance Audit

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Governor's Office for each of the two fiscal years ended June 30, 1998. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

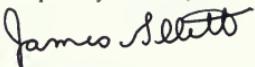
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

The office initiated the creation of and works closely with the Montana Consensus Council, Inc. (MCC). Because the legal structure of MCC gives the state control of MCC activities, the MCC financial activity should be included with the financial schedules of the office. The office did not record this information on the accounting records, which resulted in the following misstatements in fiscal year 1997-98 in the Special Revenue Fund; Grants, Contracts, Donations and Abandonments revenue is understated \$84,500, Investment Earnings revenue is understated \$874, Other Expenses are understated by \$605, and Fund Balance is understated by \$84,769.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial schedules referred to above present fairly the results of operations and changes in fund balances of the Governor's Office for the two fiscal years ended June 30, 1998, in conformity with the basis of accounting described in note 1.

Respectfully submitted,



James Gillett, CPA  
Deputy Legislative Auditor

August 21, 1998

GOVERNOR'S OFFICE  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Agency Fund
FUND BALANCE: July 1, 1996 PROPERTY HELD IN TRUST: July 1, 1996	\$ (219,585)	\$ 780,572	\$ 0
<b>ADDITIONS</b>			
Budgeted Revenues & Transfers-In	280	380,012	
Nonbudgeted Revenues & Transfers-In		15,558	
Prior Year Revenues & Transfers-In Adjustments	815	(8,560)	
Cash Transfers In (Out)	2,780,482	(99,887)	
Additions to Property Held in Trust			296,316
Total Additions	<u>2,781,577</u>	<u>287,123</u>	<u>296,316</u>
<b>REDUCTIONS</b>			
Budgeted Expenditures & Transfers-Out	2,736,014	496,987	
Nonbudgeted Expenditures & Transfers-Out		26,297	
Prior Year Expenditures & Transfers-Out Adjustments	9,449	254	
Reductions to Property Held in Trust		523,538	
Total Reductions	<u>2,745,463</u>	<u>312,367</u>	<u>312,367</u>
FUND BALANCE: June 30, 1997 PROPERTY HELD IN TRUST: June 30, 1997	\$ (183,471) <sup>1</sup>	\$ 544,157	\$ 0

<sup>1</sup> See note 3, page A-12.

This schedule is prepared from the Statewide Budgeting and Accounting System.  
Additional information is provided in the notes to the financial schedules beginning on page A-11.

**GOVERNOR'S OFFICE**  
**SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	General Fund	Special Revenue Fund	Agency Fund
FUND BALANCE: July 1, 1997 PROPERTY HELD IN TRUST: July 1, 1997	\$ (183,471)	\$ 544,157	\$ 45,624
ADDITIONS			
Budgeted Revenues & Transfers-In	84	240,793	
Nonbudgeted Revenues & Transfers-In		6,684	
Prior Year Revenues & Transfers-In Adjustments		3,727	
Cash Transfers In (Out)		158,643	
Additions to Property Held in Trust	2,897,977		
Total Additions	2,898,060	409,847	283,808
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	2,825,364	317,716	
Nonbudgeted Expenditures & Transfers-Out		7,697	
Prior Year Expenditures & Transfers-Out Adjustments	7,477	1,189	
Reductions to Property Held in Trust			
Total Reductions	2,832,841	326,602	282,271
FUND BALANCE: June 30, 1998 PROPERTY HELD IN TRUST: June 30, 1998	\$ (118,251) <sup>1</sup>	\$ 627,402	\$ 47,161

<sup>1</sup> See note 3, page A-12.

This schedule is prepared from the Statewide Budgeting and Accounting System.  
 Additional information is provided in the notes to the financial schedules beginning on page A-11.

**GOVERNOR'S OFFICE**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	General Fund	Special Revenue Fund	Total
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>			
Charges for Services	\$ 60	\$ 69,314	\$ 69,314
Federal Indirect Cost Recoveries	24	0	0
Sale of Documents, Merchandise and Property			60
Miscellaneous			24
Grants, Contracts, Donations and Abandonments			134,188
Federal			47,702
Total Revenues & Transfers-In	<u>84</u>	<u>251,288</u>	<u>251,288</u>
Less: Nonbudgeted Revenues & Transfers-In			
Prior Year Revenues & Transfers-in Adjustments			6,684
Actual Budgeted Revenues & Transfers-In	<u>84</u>	<u>3,727</u>	<u>3,727</u>
Estimated Revenues & Transfers-In	<u>1,200</u>	<u>240,793</u>	<u>240,793</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u><u>(1,116)</u></u>	<u><u>(181,317)</u></u>	<u><u>\$ (182,433)</u></u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>			
Charges for Services	\$ (1,000)	\$ (92,977)	\$ (93,977)
Federal Indirect Cost Recoveries	(40)	(1,000)	(1,000)
Sale of Documents, Merchandise and Property	(76)	(40)	(40)
Miscellaneous			(76)
Grants, Contracts, Donations and Abandonments			(95,659)
Federal			8,319
Budgeted Revenues & Transfers-In Over (under) Estimated	<u><u>(1,116)</u></u>	<u><u>(181,317)</u></u>	<u><u>\$ (182,433)</u></u>

This schedule is prepared from the Statewide Budgeting and Accounting System.  
 Additional information is provided in the notes to the financial schedules beginning on page A-11.

**GOVERNOR'S OFFICE**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

Page A-8

	General Fund	Special Revenue Fund	Total
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>			
Charges for Services		\$ 105,696	\$ 105,696
Federal Indirect Cost Recoveries		0	0
Sale of Documents, Merchandise and Property	\$ 895	(10,000)	895
Miscellaneous	200	12,106	(9,800)
Grants, Contracts, Donations and Abandonments		0	12,106
Other Financing Sources		0	0
Federal		279,208	279,208
Total Revenues & Transfers-In	1,095	387,010	388,105
Less: Nonbudgeted Revenues & Transfers-In			
Prior Year Revenues & Transfers-In Adjustments	815	15,558	15,558
Actual Budgeted Revenues & Transfers-In	280	(8,560)	(7,745)
Estimated Revenues & Transfers-In	1,600	380,012	380,292
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (1,320)	\$ 603,088	\$ 604,668
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>			
Charges for Services	\$ (500)	\$ 46,194	\$ 45,694
Federal Indirect Cost Recoveries		(15,512)	(15,512)
Sale of Documents, Merchandise and Property	(920)		(920)
Miscellaneous	100		100
Grants, Contracts, Donations and Abandonments		(112,500)	(116,291)
Other Financing Sources		35,053	(116,291)
Federal		\$ (1,320)	\$ (223,056)
Budgeted Revenues & Transfers-In Over (under) Estimated			\$ (224,376)

This schedule is prepared from the Statewide Budgeting and Accounting System.  
Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE  
SCHEDULE A TO THE EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT									
	Executive Office Program	Mission Maintenance Program	Ar Transportation Program	Office of Budget & Program Planning	Indian Affairs	Lt. Governor	Citizens Advocate Office	Marie D. Bd. Valuers	Total
Personal Services	\$ 113,730	\$ 31,857	\$ 32,510	\$ 627,400	\$ 68,583	\$ 133,013	\$ 49,752	\$ 107,256	\$ 1,572,801
Leave & Employee Benefits	177,145	8,189	4,255	148,117	18,342	20,475	13,777	28,698	417,316
<b>Total</b>	<b>999,944</b>	<b>40,046</b>	<b>37,335</b>	<b>785,928</b>	<b>85,985</b>	<b>153,486</b>	<b>63,510</b>	<b>135,754</b>	<b>2,259,917</b>
Operating Expenses									
Communication	155,043	1,204	6,717	90,207	2,182	3,801	1,650	8,224	273,646
Supplies & Materials	27,274	18,297	33,945	1,061	1,471	3,039	328	8,939	129,549
Travel	43,534	232		6,485	3,220	5,271	9,219	1,389	73,110
Rent	44,048		19,850	3,028	1,125	1,125	1,125	1,125	94,114
Phone & Maintenance	56,153		11,035	86,523	2,851	6,158	5,585	2,558	96,217
Postage & Supplies	43,983	1,217	4,932	27,244	1,851	1,069	1,332	1,332	119,903
<b>Total</b>	<b>374,187</b>	<b>31,985</b>	<b>153,076</b>	<b>159,444</b>	<b>23,942</b>	<b>1,955</b>	<b>2,710</b>	<b>2,790</b>	<b>83,466</b>
Equipment & Intangible Assets									
Equipment									
<b>Total Program Expenditures &amp; Transfers-Out</b>	<b>\$ 1,392,931</b>	<b>\$ 72,031</b>	<b>\$ 190,413</b>	<b>\$ 945,210</b>	<b>\$ 105,847</b>	<b>\$ 191,519</b>	<b>\$ 74,986</b>	<b>\$ 171,906</b>	<b>\$ 3,159,443</b>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 1,137,211	\$ 72,031	\$ 125,340	\$ 981,578	\$ 105,947	\$ 191,922	\$ 51,937	\$ 107,725	\$ 2,837,444
Special Revenue Fund	227,350	85,173	96,070	53,770	56,270	97,727	12,171	32,662	328,662
Total Program Expenditures & Transfers-Out	1,365,131	72,031	196,413	945,370	105,947	191,769	71,936	131,945	3,159,443
Less:									
Nonbudget Expenditures & Transfers-Out	7,593		77,204	104					7,607
Prior Year Expenditures & Transfers-Out Adjustments	(2,814)			166,389	6,218	3,824	7,070	144	8,141
Actual Budgeted Expenditures & Transfers-Out	1,526,525		81,470	133,553	901,562	165,172	75,365	171,765	3,163,003
Budget Authority	1,525,681		9,483	3,513	12,630	107,045	20,749	78,886	3,341,002
Unspent Budget Authority						1,773	1,194	1,562	1,735
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 39,304	\$ 9,483	\$ 2,568	\$ 12,830	\$ 1,473	\$ 11,914	\$ 833	\$ 1,300	\$ 79,203
Special Revenue Fund	116,347		927				969	438	116,619
Unspent Budget Authority	\$ 155,051	\$ 9,483	\$ 3,513	\$ 12,630	\$ 1,473	\$ 11,914	\$ 1,562	\$ 1,735	\$ 197,922

This schedule is prepared from the Statewide Budgeting and Accounting System.  
Additional information is provided in the notes to the financial schedules beginning on page A-11.

**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>PROGRAM EXPENDITURES &amp; TRANSFERS-OUT BY OBJECT</b>									
	Executive Office Program	Mission Maintenance Program	Air Transportation Program	Office of Budget & Procurement	Indian Affairs	Lt. Governor	Citizens Advocate Office	Mental Dis. Bd.	Total
Personal Services	\$ 736,165	\$ 29,003	\$ 28,330	\$ 671,963	\$ 59,205	\$ 173,576	\$ 48,113	\$ 124,110	\$ 1,873,037
Health Wages									544
Employee Benefits	\$ 161,820	\$ 14,355	\$ 3,801	\$ 157,541	\$ 14,227	\$ 13,015	\$ 30,226	\$ 422,949	
<b>Total</b>	<b>\$ 899,885</b>	<b>\$ 43,358</b>	<b>\$ 32,101</b>	<b>\$ 829,205</b>	<b>\$ 73,432</b>	<b>\$ 206,195</b>	<b>\$ 61,729</b>	<b>\$ 15,346</b>	<b>\$ 2,296,530</b>
Operating Expenses									
Supplies & Materials	268,300	865	6,840	147,633	2,291	6,486	1,347	4,943	444,564
Other Services	23,535	15,005	38,879	6,306	3,188	9,837	11,725	1,868	102,429
Communications	40,057	231	1,522	11,654	3,550	14,286	6,014	85,456	
Travel	27,523	10,101	1,165	6,601	20,670	20,670	8,329	79,389	
Rent & Maintenance	14,822	4,360	47,327	20,172	5,322	4,843	2,232	8,154	
Other Expenses	14,887	4,015	47,327	3,110	5,370	3,840	2,232	8,154	
<b>Total Expenses</b>	<b>356,180</b>	<b>27,889</b>	<b>110,762</b>	<b>70,781</b>	<b>14,333</b>	<b>5,540</b>	<b>12,068</b>	<b>1,821</b>	<b>76160</b>
Equipment & Intangible Assets									
Equipment	5,156	229							
<b>Total Equipment</b>	<b>5,156</b>	<b>229</b>							
<b>Total Program Expenditures &amp; Transfers-Out</b>	<b>\$ 1,380,025</b>	<b>\$ 71,463</b>	<b>\$ 142,865</b>	<b>\$ 1,053,064</b>	<b>\$ 102,772</b>	<b>\$ 278,494</b>	<b>\$ 74,438</b>	<b>\$ 183,977</b>	<b>\$ 3,269,034</b>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 1,048,500	\$ 71,463	\$ 124,558	\$ 987,752	\$ 102,772	\$ 78,410	\$ 59,830	\$ 161,381	\$ 2,745,464
Special Revenue Fund	\$ 1,360,555	\$ 71,463	\$ 148,507	\$ 51,312	\$ 102,772	\$ 100,054	\$ 14,899	\$ 22,996	\$ 3,572,440
Total Program Expenditures & Transfers-Out									
Less: Nonbudgeted Expenditures & Transfers-Out									
Prior Year Expenditures & Transfers-Out Adjustments	\$ 1,353,655		\$ 7,075	\$ 143,950	\$ 584	\$ 298,175	\$ 69	\$ 181,106	\$ 3,703
Actual Prior Year Expenditures & Transfers-Out	1,461,599	\$ 64,538	143,950	1,054,640	102,759	14,768	75,300	22,106	3,441,134
Budgeted Prior Year Expenditures & Transfers-Out	\$ 129,784	\$ 3,554	\$ 3,610	\$ 1,081,510	\$ 293	\$ 233,881	\$ 567	\$ 43,092	\$ 263,178
Unspent Budget Authority									
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 16,703	\$ 3,654	\$ 2,917	\$ 7,036	\$ 4,869	\$ 3,202	\$ 567	\$ 717	\$ 41,140
Special Revenue Fund	\$ 111,011	\$ 129,784	\$ 663	\$ 3,610	\$ 7,036	\$ 4,665	\$ 567	\$ 42,235	\$ 168,946
Unspent Budget Authority									

This schedule is prepared from the Statewide Budgeting and Accounting System.  
Additional information is provided in the notes to the financial statements beginning on page A-11.

# Notes to the Financial Schedules

## For the Two Fiscal Years Ended June 30, 1998

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### 1. Summary of Significant Accounting Policies

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#### Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Agency Funds. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the office receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

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#### Basis of Presentation

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The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System (SBAS) without adjustment. Consequently, these schedules do not agree in all cases to final SBAS summary reports. The differences are explained in Note 2.

Accounts are organized in funds according to state law. The office uses the following funds:

#### Governmental Funds

**General Fund** - to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** - to account for proceeds of specific revenue sources legally restricted to expenditures for special purposes. Office

## Notes to the Financial Schedules

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Special Revenue funds include activity associated with the Flathead Basin Commission, Montana Consensus Council, the Montana Rural Development Council, the Mental Disabilities Board of Visitors, and operation of the governor's aircraft.

### Fiduciary Funds

**Agency Funds** - to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The office's Mental Disabilities Board of Visitors maintains an Agency Fund for some patient accounts at the Montana State Hospital.

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### 2. Accounting Records

As discussed in note 1 under basis of presentation, there are instances where a summary of SBAS transactions will not agree to year-end SBAS summary reports. During fiscal year 1996-97, a revenue estimate reclassification caused the following discrepancies:

	<u>Year-End Summary Reports</u>	<u>SBAS Transaction Roll-ups</u>	<u>Differences</u>
Other Financial Sources Over (Under) Estimate	(\$276,291)	(\$176,291)	(\$100,000)
Federal Over (Under) Estimate	(\$12,500)	(\$112,500)	\$100,000

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### 3. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. Each agency records cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceed the assets the agency has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 1998.

## **Notes to the Financial Schedules**

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**4. Cash Transfers-In (Out)**

The office has several accounts that it shares with other state agencies. To move the cash collected to or from the office without recording revenues and expenditures twice, a Cash Transfer-In is recorded on the accounting records of the agency that expends the money and a Cash Transfer-Out is recorded on the accounting records of the agency that collects the money.



## Agency Response



OFFICE OF THE GOVERNOR

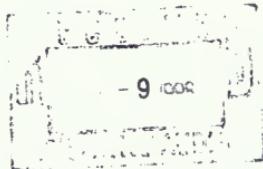
STATE OF MONTANA

MARC RACICOT  
GOVERNOR



STATE CAPITOL  
HELENA, MONTANA 59620-0801

November 9, 1998



Mr. Scott A. Seacat, Legislative Auditor  
Legislative Audit Division  
Room 135, State Capitol Building  
P.O. Box 201705  
Helena MT 59620-1705

Dear Mr. Seacat:

Following are our responses to the recommendations contained in your audit of the Office of the Governor and Lieutenant Governor for the two fiscal years ending June 30, 1998.

We would first like to note that the amount of the items not disclosed on the state's financial records, while material in the state special revenue fund, represents only about 2½% of the entire office budget for FY98. We maintain that, overall, SBAS does present an accurate representation of our office's financial activity.

1. **Recommendation:** We recommend the office: A. Spend non-general fund money first in accordance with state law. B. Reimburse the General Fund \$13,857 from the Special Revenue Fund.

**Response:** We concur with the recommendation. We will request budget amendment authority during FY99 to spend the cash balance in this account.

2. **Recommendation:** We recommend the office account for Montana Consensus Council, Inc. financial activity as required by state law.

**Response:** We concur with the recommendation. We have recommended to the Montana Consensus Council, Inc. ("Inc") that it amend its articles of incorporation and its bylaws to prevent the possibility of having a majority of board members and an executive director who serve the Consensus Council itself. We would also recommend that the board members of Inc not be appointed by the Consensus Council board. If these recommendations were implemented, Inc would no longer meet the definition of a "component unit" of Montana state government and thus its

Page B-3

Scott A. Seacat  
Page 2  
November 9, 1998

financial transactions would not need to be reported on SBAS, although it would be our recommendation that Inc's financial records be made available for public inspection.

3. *Recommendation:* We recommend the office establish the Flathead Basin Commission account required by state law.

**Response:** The Office does not believe that establishment of a special account would serve any purpose of accountability; the account was originally set up to enable all funds therein to be statutorily appropriated, but the statutory appropriation has been long ago repealed. Rather than establish an unnecessary account that would require maintenance, we are proposing legislation that will repeal the remaining portion of the statute that requires this account.

4. *Recommendation:* We recommend the office deposit money in accordance with state law.

**Response:** We concur with the recommendation.

5. *Recommendation:* We recommend the office submit Long-Range Building Program budget amendments to the Legislative Finance Committee prior to approval in accordance with section 5-12-401, MCA.

**Response:** We concur with the recommendation. These budget amendments are now being sent to the Legislative Finance Committee prior to approval.

Sincerely,

  
JUDY BROWNING  
Chief of Staff



